

## Message Text

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53

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 IGA-02 OMB-01 TRSE-00

DRC-01 /149 W

----- 037831

R 051056Z DEC 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 9623

INFO AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL NHA TRANG

USDEL JEC PARIS

CINCPAC

C O N F I D E N T I A L SAIGON 20417

JOINT STATE/AID MESSAGE

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT, EFIN, VS

SUBJ: LOWER HOUSE PASSES CY 1974 BUDGET BILL

REF: SAIGON 20305

1. THE LOWER HOUSE PASSED THE CY 1974 BUDGET BILL AT ABOUT 3:30 A.M. NOVEMBER 30, AFTER A STORMY THREE-DAY PLENARY SESSION, THUS MISSING BY JUST A FEW HOURS THE CONSTITUTIONAL DEADLINE OF PASSAGE BEFORE NOVEMBER 30. THE FINAL DAY WAS MARRED BY A LENGTHY CONTROVERSY BETWEEN THE PRO-ADMINISTRATION MAJORITY AND THE OPPOSITION (REPORTED REFTEL). THE BILL NOW GOES TO THE UPPER HOUSE.

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2. AS RECOMMENDED BY THE BUDGET AND FINANCE COMMITTEE, THE LOWER HOUSE CUT THE BUDGET EXPENDITURES THAT THE EXECUTIVE HAD PROPOSED BY VN\$69.4 BILLION. MAJOR CUTS WERE AS FOLLOWS (ALL AMOUNTS IN VN\$BILLIONS):

MINISTRY OR AGENCY	EXECUTIVE	LOWER HOUSE	CUT	PURPOSE OF FUNDS
	PROPOSAL	APPROVAL	CUT	
INFORMATION	8.82	5.85	2.97	UNKNOWN
CIVIL SERVICE	1.99	1.03	0.96	UNKNOWN
FOREIGN AFFAIRS	6.43	5.52	0.91	UNKNOWN
DEFENSE	284.68	274.07	10.61	UNKNOWN
INTERIOR	42.886	38.853	4.033	UNKNOWN
CUTURE, EDUC	45.0	39.7	5.3	SOME FOR NEW
				PERSONNEL
COMMERCE & IND.	28.85	0.55	28.3	RICE SUBSIDY
VETERANS	44.0	32.2	11.8	ALLOWANCES

THE REMAINING CUTS WERE SPREAD THROUGHOUT THE BUDGET. THE GENERAL LINES TAKEN BY THE HOUSE WERE NO NEW CONSTRUCTION, NO NEW VEHICLES, NO MAJOR MAINTENANCE OF EXISTING PHYSICAL FACILITIES, AND NO RECRUITMENT OF NEW PERSONNEL. HOUSE LEADERS TOOK THEIR CUE FROM PRESIDENT THIEU'S RECENT CALL FOR "AUSTERITY".

3. THE RECEIPTS SIDE OF THE BUDGET WAS LEFT GENERALLY UNTOUCHED. THE PROJECTED EXPENDITURES TOTAL VN\$561.28 BILLION, OF WHICH TAXES WILL COVER VN\$267.87 BILLION, FOREIGN AID VN\$186 BILLION, AND THE DEFICIT TO BE ADVANCED BY THE NATIONAL BANK VN\$107.41 BILLION. (VN\$535 EQUAL U.S. \$1.00 AT THE CURRENT RATE OF EXCHANGE)

4. THE UPPER HOUSE IS NOT EXPECTED TO MAKE MAJOR CHANGES IN THE BUDGET BILL, THOUGH SMALL AMENDMENTS ARE POSSIBLE. THE ABOVE CUTS HAVE BEEN DISCUSSED AT LENGTH BY THE DEMOCRACY PARTY LEADERS OF BOTH HOUSES, AND ALSO WITH THE EXECUTIVE. THE CHAIRMAN OF THE LOWER HOUSE TOLD AN EMBASSY OFFICER DEC 1 THAT PRESIDENT THIEU HAD APPROVED ALL THESE CUTS; ONE PROPOSED CUT THAT HE DID NOT ACCEPT (WHICH, IN EFFECT, WOULD HAVE SHIFTED FOREIGN INFORMATION PROGRAMS FROM THE INFORMATION COMMISSION TO THE FOREIGN MINISTRY) WAS DROPPED BY THE LOWER HOUSE LEADERSHIP BEFORE PASSAGE.

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5. UNDER THE CONSTITUTION, THE UPPER HOUSE MUST VOTE ON THE BUDGET BEFORE DEC 31. IF THE UPPER HOUSE VERSION DIFFERS EVEN SLIGHTLY FROM THAT OF THE LOWER HOUSE, IT MUST RETURN FOR SECOND-ROUND ACTION IN THE LOWER HOUSE. FOLLOWING THAT, THE PRESIDENT MAY EITHER SIGN THE BILL OR SUBMIT ANY AMENDMENTS HE DEEMS NECESSARY. A JOINT SESSION OF THE NATIONAL ASSEMBLY VOTES ON PRESIDENTIAL AMENDMENTS.

6. COMMENT: THE ASSEMBLY'S ACTION TO CUT THE BUDGET, EVEN THOUGH APPARENTLY COORDINATED WITH THE PRESIDENT, IS THE FIRST CONCRETE MANIFESTATION OF A RECENT PHENOMENON ON THE POLITICAL SCENE, NAMELY "OPPOSITION" BY DEMOCRACY PARTY LEGISLATORS TOWARD AT LEAST CERTAIN EXECUTIVE AGENCIES. PROMPTED IN PART BY ECONOMIC

STRAINS REQUIRING AUSTERITY AS A NATIONAL POLICY, THIS MOOD ALSO SHOWS THAT THE PRO-EXECUTIVE MAJORITY NOW DOMINATING BOTH HOUSES TAKES ITS LEGISLATIVE ROLE SERIOUSLY. SOME MAJORITY LEADERS SAY THEY ARE LIKEWISE INFLUENCED BY THE NUMERICAL WEAKNESS OF THE ASSEMBLY'S OPPOSITION FOLLOWING THE RECENT SENATORIAL ELECTION. SOMEBODY HAS TO PLAY A CONSTRUCTIVE OPPOSITION ROLE, THEY NOTE.

7. THE FACT THAT IT IS DEMOCRACY PARTY LOYALISTS, RATHER THAN OPPOSITIONISTS, WHO TAKE THIS POSITION ADDS WEIGHT TO THEIR CRITICISMS. IT ALSO MAKES THE EXECUTIVE AGENCIES LISTEN MORE ATTENTIVELY, SINCE ULTERIOR POLITICAL MOTIVES ARE NOT SUSPECTED. PRESIDENTIAL ENCOURAGEMENT IS EVEN INDICATED IN THIS CASE AT LEAST. THE RESULT IS TO RETAIN FOR THE LEGISLATIVE BRANCH A CONSTRUCTIVE PART IN THE CONSTITUTIONAL PROCESS.

8. NEVERTHELESS, THE ASSEMBLY'S ACTION IS NOT WITHOUT POLITICAL STRAIN. FOR ONE THING, IT LEAVES THE LEGISLATIVE OPPOSITION GROUPS FURTHER FRUSTRATED. ALSO, IT REVEALS CRACKS IN THE HITHERTO OUTWARDLY MONOLITHIC "EXECUTIVE ESTABLISHMENT". THE COMMITTEE HEARINGS ON THE BUDGET, FOR EXAMPLE, WERE ACCOMPANIED BY ATTACKS ON HOANG DUC NHA'S INFORMATION COMMISSION, INDICATING THAT NHA AND HIS AGENCY ARE A FOCUS OF DISPUTE WITHIN THE DEMOCRACY PARTY. THE DP LEGISLATIVE CHAPTER, CLOSELY ADVISED BY PRESIDENTIAL ASSISTANT NGUYEN VAN NGAN, EMERGES AS AN ANTI-NHA ELEMENT. THE LOWER HOUSE DECISION TO APPROVE THE BUDGET FOR INFORMATION COMMISSION OVERSEAS OPERATIONS IS, OF COURSE, A TACTICAL VICTORY FOR NHA, ALTHOUGH THE COMMISSION'S ORIGINAL REQUEST FOR 8.82 BILLION \$VN WAS CUT BY 2.97 BILLION \$VN.  
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9. THE SIGNIFICANCE OF THE CUTS IN TERMS OF PROBABLE GVN EXPENDITURES IS A SEPARATE QUESTION. THE GVN WILL EITHER HAVE TO PROVIDE FOR A RICE SUBSIDY, FOR EXAMPLE, OR RAISE THE AVERAGE SELLING PRICE FOR U.S. RICE IN 1974 TO ABOUT VN\$380/KILO (AN INCREASE OF 170 PERCENT OVER THE PRESENT PRICE), GIVEN CURRENT PRICES FOR PL-480 RICE. THE VN\$28 BILLION IN THE ORIGINAL BUDGET PROPOSAL ACTUALLY UNDERSTATED THE LIKELY SUBSIDY INVOLVED. ALTERNATIVELY, EXCLUDING THE SUBSIDY FROM THE BUDGET WOULD REQUIRE IT TO BE HANDLED, AS IN THE PAST, IN EXTRA BUDGETARY ACCOUNTING.

10. SOME VN\$11 BILLION OF THE CUT IN THE MINISTRY OF WAR VETERANS BUDGET INVOLVES PENSIONS AND BENEFITS REQUIRED BY LAW. WHEN THIS WAS POINTED OUT BY THE MINISTER OF WAR VETERANS, HE WAS TOLD THAT THE LEVEL APPROVED SIMPLY REFLECTED A DIFFERENT ESTIMATE OF THE CASELOAD. IF THE ACTUAL REQUIREMENT EXCEEDS THIS LEVEL, HE NEED ONLY PETITION THE TREASURY FOR FUNDS WHICH MUST, BY LAW, BE MADE AVAILABLE. AT LEAST VN\$5 BILLION OF THE CUT IN THE DEFENSE MINISTRY BUDGET REPORTEDLY INVOLVES PAY AND ALLOWANCES, AN ITEM THAT WILL HAVE TO BE FUNDED IN SOME FASHION, BARRING A CHANGE IN THE FORCE STRUCTURE.

11. A MORE COMPLETE EVALUATION IS NOT POSSIBLE UNTIL MORE DETAILS

ON THE CUTS ARE AVAILABLE. THERE ARE UNDOUBTEDLY SOME ITEMS IN THE BUDGET WHERE ECONOMIZING IS POSSIBLE AND SOME OF THE PROPOSED CUTS MAY HAVE TOUCHED ON THESE. MOST OF THE MAJOR CUTS, HOWEVER, ARE LIKELY EVENTUALLY TO BE FINANCED IN SOME MANNER IF THEY ARE NOT RESTORED IN THE INITIAL, LEGISLATIVELY-APPROVED BUDGET.

(FYI: THE GVN IS USING A FIGURE OF VN\$700 BILLION FOR TOTAL CY 1974 GVN EXPENDITURES IN TALKS WITH THE IBRD AND IMF DELEGATIONS, A FIGURE WHICH PRESIDENT THIEU HAS ALSO APPROVED. THAT NUMBER REFLECTS THEIR EXPECTATION THAT, BECUASE OF INFLATION OR SALARY INCREASES OR THE NEED TO INCREASE GVN EFFORT IN SOME AREA NOT NOW ANTICIPATED, A HIGHER LEVEL OF EXPENDITURE WILL PROVE ESSENTIAL.)

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 10 MAY 1999  
**Channel Indicators:** n/a  
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**Copy:** SINGLE  
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**Disposition Approved on Date:**  
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**To:** STATE INFO BIEN HOA  
CAN THO  
DANANG  
NHA TRANG  
JEC PARIS  
CINCPAC  
**Type:** TE

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